

## Message Text

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TO SECSTATE WASHDC NIACT IMMEDIATE 0542

TREASURY DEPARTMENT WASHDC NIACT IMMEDIATE

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TREASURY FOR UNDER SECRETARY YEO AND WIDMAN

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: REPORTED LEAK OF MEMCON OF ALLEGED STAMMATI-YEO MEETING

RE U.S. AND IMF ASSISTANCE TO ITALY

1. FOLLOWING IS INFORMAL TRANSLATION OF TEXT OF ARTICLE  
PUBLISHED IN "IL TEMPO" OF OCTOBER 14, 1976 AND WRITTEN  
BY MARINO DE MEDICI. TITLE OF ARTICLE IS "SIMON CONFIRMS  
HIS SUPPORT FOR AN IMF LOAN". SUBTITLE SAYS, "IN A STATEMENT TO  
THIS NEWSPAPER HE EXCLUDED FOR THE MOMENT ANY DIRECT AID FROM  
THE U.S. TO ITALY; YEO DENIES MEETING WITH STAMMATI."

2. BEGIN TEXT. WASHINGTON, 13 OCTOBER. SECRETARY OF THE  
TREASURY WILLIAM SIMON SAID TODAY THAT HE DID NOT BELIEVE  
THAT THERE WOULD BE ANY NEED FOR US FINANCIAL ASSISTANCE TO ITALY.  
SIMON, WHO MET WITH MINISTER OF TREASURY GAETANO STAMMATI IN  
MANILA, SAID: "WHEN THE INTERNATIONAL MONETARY FUND AND ITALY  
WILL HAVE COMPLETED THEIR NEGOTIATIONS AND A LOAN WILL HAVE BEEN  
AGREED TO ON CONDITIONS NEGOTIATED WITH THE FUND, ASSUMING  
THAT IT IS, THERE WILL BE NO NEED FOR AMERICAN ASSISTANCE."  
SIMON ADMITTED HAVING DISCUSSED THE QUESTION OF THE NEGOTIATIONS  
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BETWEEN THE ITALIAN GOVERNMENT AND THE MONETARY FUND IN THE COURSE

OF A TALK WITH MINISTER STAMMATI, BUT SAID THAT THE AMERICAN INTEREST IN THE MATTER "IS LIMITED TO THE MONETARY FUND LOAN."

3. AT THE SAME TIME, TREASURY UNDER SECRETARY FOR MONETARY AFFAIRS EDWIN YEO WISHED TO DISTINGUISH BETWEEN ITALY'S NEGOTIATIONS WITH THE FUND AND THE POSSIBILITY SUGGESTED IN SOME PRESS CIRCLES OF SHORT-TERM FINANCIAL AID FROM THE U.S. "IT IS MY IMPRESSION THAT THE MONETARY FUND AND ITALY ARE COMMITTED TO COME TO AGREEMENT ON AN ADDITIONAL LOAN FROM THE FUND," THE UNDER SECRETARY TOLD ME. HE ADDED, "WE CANNOT TALK WITH THE ITALIAN AUTHORITIES ABOUT ANY SUCH ASSISTANCE AT PRESENT, BUT THAT DOES NOT IN ANY WAY PRECLUDE SUCH A POSSIBILITY." LIKE THE SECRETARY OF TREASURY, YEO HAS, THEREFORE, DENIED THAT THE US IS STUDYING A FINANCIAL OPERATION IN FAVOR OF ITALY AND HE REPEATED THAT "THE COURSE OF ACTION" CONCERNS EXCLUSIVELY THE INTERNATIONAL MONETARY FUND. "WE SUPPORT THE ACTION TAKEN BY THE ITALIAN GOVERNMENT AND BELIEVE THAT IT ADEQUATELY REFLECTS THE THE EXISTING SITUATION." YEO THEN INDICATED THAT HE COULD NOT FORESEE WHICH WOULD BE THE FUND'S LOAN CONDITIONS NOR THE TIME PERIOD DURING WHICH THE NEGOTIATIONS WOULD BE COMPLETED. THE DISCUSSIONS WITH THE REPRESENTATIVES OF ITALY IN MANIAL DID NOT DEAL WITH THESE ASPECTS, HE EXPLAINED, ADDING THAT THE UNITED STATES DOES NOT INTERVENE IN TALKS BETWEEN THE ITALIAN AUTHORITIES AND THE FUND. "WE ARE READY TO SUPPORT ANY AGREEMENT WITH ITALY MADE BY THE STAFF OF THE MONETARY FUND" CONCLUDED EDWIN YEO.

4. ASKED ABOUT THE REPORTED CONTENT OF A TALK IN MANIAL WITH MINISTER STAMMATI, UNDER SECRETARY YEO DENIED THAT HE HAD MET THE ITALIAN MINISTER OF THE TREASURY. A SUMMARY NOTE CONCERNING A PRESUMED CONFIDENTIAL CONVERSATION BETWEEN THE TWO OFFICIALS ENDED UP IN THE HANDS OF A SPECIAL REPORTER OF THE ASIAN "WALL STREET JOURNAL", PUBLISHED IN HONG KONG, AND WAS PARTLY REFERRED TO LAST MONDAY IN THE "WALL STREET JOURNAL" OF NEW YORK. IN THE ARTICLE BY THE NEW YORK FINANCIAL DAILY THERE WERE NOT INCLUDED ANY DELICATE EXTRACTS OF THE PRESUMED MINUTES, ACCORDING TO WHICH ECONOMIC AND FINANCIAL MEASURES OF THE ITALIAN GOVERNMENT WERE DISCUSSED AND STAMMATI WAS INFORMED ABOUT SHORT-TERM AMERICAN FINANCIAL ASSISTANCE.

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5. IN THE SAME MINUTES, YEO IS SUPPOSED TO HAVE COMPLAINED ABOUT THE RECENT INITIATIVE BY ITALY IN THE BOARD OF DIRECTORS OF THE FUND AIMED AT SLOWING DOWN THE FUND'S SCHEDULE OF GOLD SALES.

6. EDWIN YEO DENIES HAVING MET WITH STAMMATI IN MANILA AND EXPRESSED RESERVE ABOUT THE EXISTENCE OF SUCH A MEMORANDUM OF CONVERSATION, WHICH WAS WRITTEN IN ENGLISH, PRESUMABLY BY THE AMERICAS. IN THE CONTACT WHICH I HAD WITH YEO TODAY HE SAID,

"I DID NOT MEET WITH STAMMATI IN MANILA BECAUSE I ARRIVED AT MANILA LATE DUE TO COMMITMENTS IN WASHINGTON IN CONNECTION WITH CONGRESSIONAL APPROVAL OF AMENDMENTS OF THE ARTICLES OF AGREEMENT OF THE FUND. I ARRIVED THERE ON TUESDAY EVENING. I DIDN'T SEE STAMMATI ON WEDNESDAY. I WOULD HAVE LIKED TO HAVE MET WITH HIM, BUT OUR SCHEDULES DID NOT PERMIT IT."

7. THUS, THE MYSTERY REMAINS. WHO WAS THE DRAFTER OF THE CONFIDENTIAL MINUTE WHICH CAME INTO THE POSSESSION OF THE ASIAN "WALL STREET JOURNAL" AND WHICH HAS BEEN REFERRED TO AS COMING FROM RELIABLE SOURCES? IT IS POSSIBLE THAT THE MEMO REFERS, NOT TO A STAMMATI-YEO TALK, BUT RATHER TO A TALK WHICH SECRETARY OF THE TREASURY SIMON HAD WITH STAMMATI. AT THIS POINT, DOUBT EXISTS ALSO CONCERNING THE CREDIBILITY OF THE MEMO, ACCORDING TO WHICH MINISTER STAMMATI IS SAID TO HAVE ASKED FOR, OR AT LEAST EXPLORED IN DEPTH, THE POSSIBILITY OF A FINANCIAL LOAN FROM THE U.S. TO ITALY.

8. ON THE UNITED STATES SIDE, IT IS STRESSED TODAY THAT THE TALKS BETWEEN THE WASHINGTON AND ROME AUTHORITIES CONCERN U.S. SUPPORT FOR THE ITALIAN REQUEST FOR A CREDIT FROM THE MONETARY FUND.

9. IN FACT, FOR SOME TIME ITALY HAS BEEN SEEKING A "STANDBY" OF \$530 MILLION AND EVERYTHING INDICATES THAT THE FUND WILL GRANT A LARGER CREDIT LINE IN ACCORDANCE WITH THE FLEXIBILITY WHICH THE JAMAICA AGREEMENTS GIVE TO THE MANAGING DIRECTOR OF THAT INTERNATIONAL FINANCIAL ORGANIZATION. THE OPENING OF A CREDIT WITH THE FUND AND THE POSSIBLE AMERICAN ASSISTANCE ARE, THEREFORE, TWO CLEARLY DIFFERENT THINGS. THE FIRST SEEMS ALMOST AT HAND, AND THIS IS CONFIRMED NOT JUST BY TODAY'S STATEMENT BY RESPONSIBLE AMERICAN TREASURY OFFICIALS BUT ALSO BY THE IMMINENT DEPARTURE FOR ROME OF THE FUND MISSION WHICH

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WILL NEGOTIATE WITH THE ITALIAN AUTHORITIES. THE SECOND IS A REMOTE POSSIBILITY, WHICH WILL PROBABLY NOT MATERIALIZE, ESPECIALLY SINCE THERE WILL BE NO SUCH NEED, AS SECRETARY OF THE TREASURY SIMON INDICATED TODAY. END TEXT.VOLPE

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